

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3962

December 15, 2005

R E S O L U T I O N

Resolution E-3962. Southern California Edison (SCE) request the Commission's authorization to revise the Energy Resource Recovery Account (ERRA) tariff to record third party costs associated with certain procurement-related activities.

By Advice Letter 1919-E Filed on September 30, 2005.

SUMMARY

This Resolution denies SCE's request to revise the ERRA tariff schedules to record third-party costs associated with certain procurement-related activities via an advice letter filing.

BACKGROUND

In Decision (D). 04-12-048, the Commission adopted (with modification) Long-Term Procurement Plans (LTPPs) for SCE, San Diego Gas and Electric Company (SDG&E), and Pacific Gas & Electric Company (PG&E). That decision also lifted the ban on long-term affiliate transactions for transactions entered into through an open and transparent solicitation process. The ban on short-term transactions was maintained.

While D.04-12-048 lifted the ban on long-term affiliate transactions, the decision also instituted safeguards for the solicitation of long-term procurement transactions by requiring: (1) continuation of utility Procurement Review Groups (PRGs); and (2) the use of independent third-party evaluators (IE). Ordering Paragraph 28 of D.04-12-048, stated (in part) "the IOUs may contract directly with IEs, in consultation with their respective PRGs..."

In D.05-07-039, the Commission approved (with modification) the procurement plans and draft request for offers (RFOs) for 2005 solicitations for Renewable Portfolio Standard (RPS) programs submitted by SCE, SDG&E, and PG&E. In

addition, the Commission required the use of IEs in evaluating bids in SCE's 2005 RPS program. As stated by the Commission in Ordering Paragraph 10 of D.05-07-039, "In evaluating bids in the 2005 RPS solicitation, SCE shall use an independent evaluator as described in D.04-12-048 for all bids submitted by an affiliate of SCE."

NOTICE

Notice of AL 1919-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter AL 1919-E was not protested.

DISCUSSION

Energy Division has reviewed Advice Letter 1919-E and recommends denial of SCE's request to revise the ERRA tariff via an advice letter filing. An advice letter filing is an inappropriate vehicle for revising a tariff when SCE's request can be more appropriately addressed in its semiannual ERRA applications. This denial of SCE's advice filing should not alter SCE's financial position.

SCE's request is to modify the ERRA tariff can be better addressed in its semiannual ERRA applications.

D.02-10-062 established a semiannual update process for fuel purchased power forecasts and the ERRA mechanism. In April, the update process required SCE to file application proposing to establish annual fuel and purchased power forecasts and true up 2002 fuel and purchased costs. On October 1, the update process requires an application for review of balancing accounts, contract administration, utility retained generation expenses, and least-cost dispatch.

Subsequent decisions modified the filing dates and years under review. However, the semiannual requirement to file applications remains intact. The semiannual filings already address procurement expenses and are the appropriate proceedings to address IE costs. Addressing IE costs separately

from the semiannual filings will increase administrative costs without sufficient benefit..

Denial of AL 1919-E should not alter SCE's financial standing.

Concurrently with the filing of Advice Letter 1919-E, SCE filed Advice Letter 1920-E requesting Commission authority to establish an Independent Evaluator Costs Memorandum Account (IECMA) to record SCE's actual IE costs until such time as the Commission approves Advice Letter 1919-E.

Energy Division has reviewed and, in Resolution E-3960, recommended approval of SCE's request of Advice Letter 1920-E. Resolution E-3960 recommends the establishment of IECMA with an effective date of September 30, 2005. Resolution E-3960 is scheduled for the November 18, 2005 Commission meeting.

With Commission approval of Resolution E-3960, SCE will be able to record actual IE costs for future recovery. As such, denial of this advice filing should not alter SCE's financial position or ability to recover.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments. Comments are due on December 1, 2005. Reply comments are due on December 8, 2005.

SCE provided comments to the draft resolution on December 1, 2005. No other party provided comments. No parties provided reply comments to the draft resolution.

In its comments, SCE requested that the draft resolution be modified to authorize SCE to revise its ERRRA tariff as requested in its original advice letter. SCE states that as the Commission required the use of third party independent evaluators, and SCE must pay for the costs incurred, such costs should be recorded in the

ERRA. SCE further states that in Advice 1919-E, SCE was not requesting that the Commission review and find specific third-party costs reasonable, but only that the recoverability through ERRA, in principle, of this category of procurement-related costs is appropriate.

SCE's comments do not add additional support to its advice filing. In the backgrounds section of the draft resolution, it was recognized that the Commission required SCE to utilize the services of independent evaluators. The draft resolution also does not prejudice the recoverability of the IE costs through the ERRA.

SCE's comments do not alter the draft resolution, as mailed on November 15, 2005.

FINDINGS

1. General Order 96-A, Section VI requires that a formal application be made to increase rates, except where the increases are minor in nature.
2. A process already exists to address procurement costs in a proceeding
3. SCE is required to file semiannual applications to demonstrate its forecasted costs and for a reasonableness review.
4. SCE's request to modify the ERRA tariff to include IE costs can be better addressed in either of its semiannual applications.
5. SCE filed Advice Letter 1920-E concurrently with Advice Letter 1919-E.
6. Advice Letter 1920-E seeks Commission approval to establish an Independent Evaluator Costs Memorandum Account (IECMA) to record SCE's actual IE costs.
7. Energy Division recommended approval of Advice Letter 1920-E in Resolution E-3960 with an effective date of September 30, 2005.
8. Resolution E-3960 is scheduled for the November 18, 2005 Commission meeting.
9. With Commission approval of Resolution E-3960, SCE will be able to record actual IE cost for future recovery.
10. Denial of SCE's request to modify the ERRA tariff in Advice Letter 1919-E should not alter SCE's financial position or ability to recover.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Edison to modify its ERRRA tariff schedule to add independent evaluator costs, as requested in Advice Letter AL 1919-E, is denied.
2. SCE should seek relief in a formal application.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 15, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
JOHN A. BOHN
Commissioners